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AUTHOR Kyle, Regina M. J.
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ABSTRACT

The major findings of nine State case studies on the effects and implementation of Chapter 2 of the Education Consolidation and Improvement Act (ECIA) of 1981, are summarized and synthesized in this report. The States examined (Colorado, Maine, Michigan, Nebraska, Pennsylvania, South Carolina, Tennessee, Texas, and Washington) were selected to reflect significant regional demographic and economic differences. Although the findings, based as they are on the first year of Chapter 2 implementation, can only be regarded as tentative at this stage, certain common patterns emerge: (1) Implementation has been smooth. (2) Small towns and rural districts and those which had minimal or no funding in the competitive antecedent programs did well under Chapter 2. (3) Districts which lost funds under Chapter 2 tended to be those with large amounts of Emergency School Aid Act (ESAA) money and/or those that had actively sought out funds from other sources. (4) In some States, Chapter 2 supported already-planned, creative restructuring and refocusing of capabilities in the State education authority. (5) There is some evidence of use of Chapter 2 funds to support long-term goals of local school districts that might otherwise have gone unfunded. (6) Some ESAA districts used Chapter 2 funds for what they considered to be more effective ways of achieving desegregation. (7) Private school participation in Chapter 2 seemed to be high. (CMG)

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KALEIDOSCOPES
EMERGING PATTERNS OF RESPONSE AND ACTION IN ECIA CASE STUDIES
OF CHAPTER 2 IN SELECTED STATES

Regina M. J. Kyle
E. H. White and Company

JULY 11, 1983

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KALEIDOSCOPIES
EMERGING PATTERNS OF RESPONSE AND ACTION IN ECIA CASE STUDIES
OF CHAPTER 2 IN SELECTED STATES

I. INTRODUCTION

This paper summarizes and synthesizes the major findings of nine state case studies on the effects and implementation of Chapter 2 of the Education Consolidation and Improvement Act of 1981, commonly referred to as the education block grant. The study was undertaken by the Education Policy and Organization Program of the National Institute of Education, in collaboration with the Planning, Budget and Evaluation Office of the Department of Education, and was carried out under a contract with E. H. White and Company.

The states examined and the case study researchers are:

<u>Colorado,</u>	James Rose, University of Colorado
<u>Maine,</u>	H. Sawin Millett, Jr., Consultant
<u>Michigan,</u>	Philip Kearney, University of Michigan
<u>Nebraska,</u>	Robert Egbert, University of Nebraska
<u>Pennsylvania,</u>	Peter Kuriloff, University of Pennsylvania
<u>South Carolina,</u>	Elchanan Cohn, University of South Carolina
<u>Tennessee,</u>	Janet Eyler, Vanderbilt University
<u>Texas,</u>	Martin Katzman, University of Texas at Dallas
<u>Washington,</u>	Richard Elmore, University of Washington

The case study researchers were selected both for their expertise in conducting such studies and for their knowledge of public education structures and processes in the selected states. Each researcher was a resident of the state he or she studied and had the necessary access to public officials and representatives of interest groups at state and local levels. Researchers were asked to place their documentation and analysis of Chapter 2 into the economic, demographic, and political contexts of their respective states.

The Education Consolidation and Improvement Act of 1981 provided for a two-part block grant to replace most prior federal programs in elementary and secondary education. Title I, with revisions, became Chapter 1. Chapter 2 consolidated 29 categorical programs, including the Emergency School Aid Act (ESAA) into a single block grant (See appendix for list of antecedent programs). The block grants in education reflect the philosophy of the present administration about the federal role in education. They are intended to effect a shift in intergovernmental relations in education by decreasing federal regulation and paperwork and increasing local authority over the expenditure of funds. They reserve certain functions to the state education agencies while providing that at least 80% of the funds are to go to local education agencies. The Chapter 2 block grant makes the state a kind of "middle man" in the process, a consequence which seemed to be intended, as comments by the late Representative John Ashbrook of Ohio, author of the legislation, revealed.

Finally, the act in very specific terms nails down "complete discretion, subject only to the provisions of this (Act)" for local educational agencies in determining how to use funds under the consolidated programs.

The act asserts this as a guarantee of local control, close to local voters and the parents of school children, even against efforts by the State to interfere in the use of federal funds allocated under this program.

Education Times, May 3, 1982

Behind the legislation also lay a skepticism about the efficacy of federal intervention and a belief in the ability of local school districts to know what is most needed in schools in a particular area at a particular time. There was a hope that providing more freedom and flexibility in educational programming at the local level would result in loosening the wellsprings of creativity and excellence. This emphasis on the developmental aspects of Chapter 2 was stated clearly in the first paragraph of the legislation. The consolidated block grant was "for the same purposes set forth in the provisions of law specified in this sentence [the antecedent programs], but to be used in accordance with the needs and priorities of state and local educational agencies as determined by such agencies." [SECTION 561. (a)] It placed further emphasis on the use of the block grant as an agent for change in the rest of the same paragraph.

It is the further purpose and intent of Congress to financially assist state and local educational agencies to improve elementary and secondary education (including preschool education) for children attending both private and public schools, and to do so in a manner designed to greatly reduce the enormous administrative and paperwork burden imposed on schools at the expense of their ability to educate children.

[SECTION 561. (a)]

The block grant legislation is quite clear in its intent that services under the block grant be provided to students in private as well as public

schools and on an equitable basis.

The timing of the grants, the relatively small amounts of money involved, and the necessary focus on the initial phases of activity combine to give us a general outline of Chapter 2's early effects in this report. It will be another year or two before the dimensions of the impact of Chapter 2 on elementary and secondary education at the state and local levels can be thoroughly evaluated. Even at this point, however, we have learned a great deal about the implementation of Chapter 2 and its impact in the first year of operation in the nine selected states. Our case studies suggest that:

- o In the nine states in general, the process of implementation has been a smooth one. State agencies have been careful and responsible in carrying out their mandates.
- o Chapter 2, with its fewer regulations and increased emphasis on local control, has resulted in a shift in the relationship between the state education agency and the local districts.
- o The impact of Chapter 2 in each of the states has been affected by present economic conditions and the general state of educational finance.
- o When their Chapter 2 allocations are compared with prior funding under the antecedent programs, many ESAA districts, especially the larger ones, lost substantial amounts of money.
- o While some ESAA districts saw Chapter 2 as a negative development, others — even among those losing funds — took the opportunity to use the money in what they consider to be more appropriate and creative ways of achieving the ends of desegregation.
- o Districts gaining funds under Chapter 2 were frequently those with minimal or no participation in the antecedent programs.

- o Large amounts are being spent for computer-related purchases. While this may be interpreted as a safe way of dealing with federal funds in the first year of a program many believe will not last, in many cases we have found that this use of the funds is related to a high priority already identified by the district and often also by both the state education agency and state government.
- o Questions and concerns continue to be voiced about future federal audits of the program. Those with the most prior experience with federal programs tend to be most skeptical about the undefined accountability of less regulation and greater local control.

The remaining sections set the context in the states and discuss key aspects of the first year of experience with Chapter 2. These are:

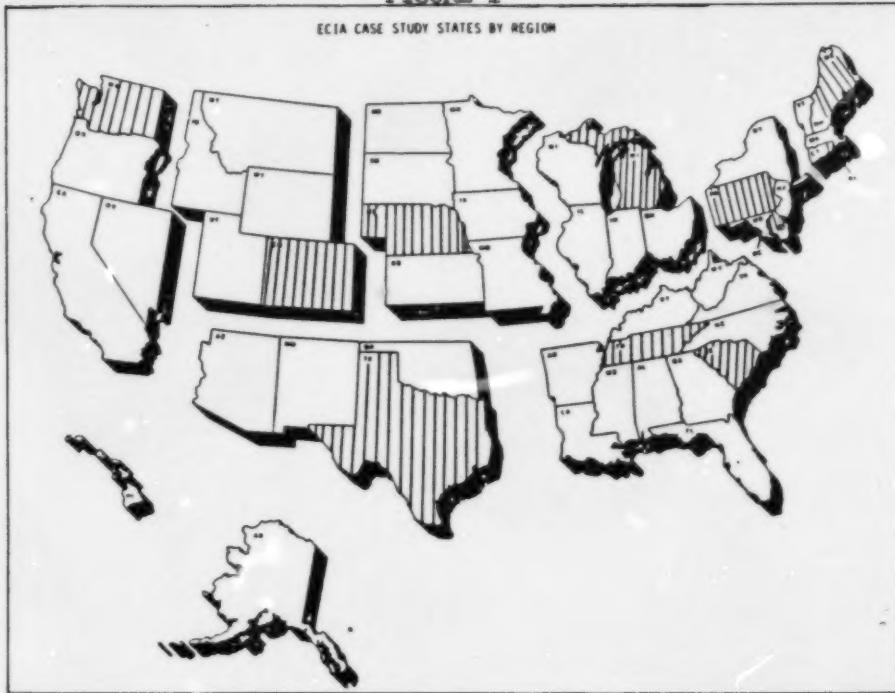
- II. Contexts: The Nine Selected States
- III. Processes: Working with Chapter 2 in the States
- IV. Initial Impacts: Winners and Losers at State and Local Levels
- V. Results: Response Patterns in the Allocation of the Shares of Money at State and Local Levels
- VI. Questions: Areas Needing Further Probing
- VII. Summaries: Emerging Patterns and Federal Policy
- VIII. Appendix: List of Antecedent Programs

II. CONTEXTS: THE NINE SELECTED STATES

Nine states, including at least one from each major economic region of the country, were selected as sites for case studies on the implementation and impact of the Chapter 2 block grants in education. Figure 1 shows these states by region.

FIGURE 1

ECIA CASE STUDY STATES BY REGION



The demographic and economic characteristics of these states are quite varied, as Table 1 illustrates.

TABLE 1

ECIA CASE STUDY STATES: DEMOGRAPHIC AND ECONOMIC SHIFTS

STATE	% Population Shift	% 5-17 Year Old Shift	Unemployment Rate	
	1970-1980	1970-1980	1981	1982
Maine	13.2	-6.2	7.2	8.6
Pennsylvania	0.6	-18.7	8.4	10.9
South Carolina	15.5	-2.2	8.4	10.8
Tennessee	16.9	-1.9	9.1	11.8
Michigan	4.2	-15.5	12.3	15.5
Nebraska	5.7	-16.3	4.1	6.1
Colorado	30.7	0.9	5.5	7.7
Texas	27.0	4.6	5.3	6.9
Washington	21.0	-5.2	9.5	12.1

Source: Bureau of the Census, U. S. Census of Population 1970 PC(1)-B1, Estimates of the Population of States by Age, Series P-25, No. 913, and U. S. Department of Labor, Bureau of Labor Statistics, February, 1983.

The states were selected to reflect significant regional differences and varying mixtures of urban, suburban and rural communities. Three of the states, Pennsylvania, Michigan, and Nebraska, experienced less than 6% growth in population between 1970 and 1980; three — Maine, South Carolina, and Tennessee — had between 13% and 17% growth; while the remaining three — Colorado, Texas, and Washington -- experienced rather high rates of growth, ranging from 21% in Washington to 30.7% in Colorado.

Maine and Nebraska are rural states with very small minority populations. Pennsylvania and Michigan are industrial centers with large ethnic communities including substantive numbers of Blacks in urban areas. Tennessee and South Carolina have large Black populations in both urban and rural areas. Texas is the point where Hispanic and Black populations meet in the southern tier, and where an influx of "boat people" from Southeast Asia has occurred in recent years. Colorado, like Texas, has an increasing Mexican-American migrant population. Washington in the northwest has many different ethnic communities from Blacks and Hispanics to American Indians and those from Asian nations ranging from Japan to Southeast Asia.

The shifts in school age population are also varied. The three states with the lowest population gains were also those with the highest declines in the school age population -- Pennsylvania, Michigan, and Nebraska. The three states with moderate population growth and Washington, one of the high growth states, all experienced some decline in their 5-17-year old population. Of the states examined for this project only Texas and Colorado, with a very slight increase, saw additions to the numbers at school age, a phenomenon possibly related to their large Hispanic populations.

Economic conditions within the selected states cover a broad

spectrum. Some have suffered less than others from the present recession; others are undergoing structural changes in their economic bases.

Maine and Nebraska are rural and agricultural — and while they have not come through the recession unscathed they have not been as deeply hurt as others, which is reflected in an unemployment rate somewhat below that of the national level. Colorado and Texas, the other two states with unemployment levels below that of the nation, are — despite some problems — essentially states which are still growing and developing economically. They are projected to continue this growth through the end of the century. South Carolina and Tennessee are states where per capita income has consistently been well below the national average and the unemployment rates in these states reflect a continuing condition rather than a recent problem. Pennsylvania and Michigan represent the reverse of what is happening in Texas and Colorado. Their economic bases are eroding and industry in both states is undergoing a massive transformation. Washington's economic situation, as reflected in its unemployment rate, appears to be more a response to present conditions than the beginning of a fundamental change.

An understanding of the economic context in each of the states is important for a number of reasons. The ways in which state and local officials respond to federal programs such as the Chapter 2 block grants will be determined in part by the impact of general economic conditions on funding for education within the states. If a shift in federal funds occurs at the same time as cutbacks in state and local funding for education, it will have greater impact -- whether it is an increase or a decrease — than it would under conditions of steady-state or increasing funding for education. The impact of federal funding changes is also

conditioned by the role played by federal money for education within the state. There are major differences among our case study states as Table 2 indicates.

TABLE 2

MAJOR SOURCES OF ELEMENTARY AND SECONDARY EDUCATION
FUNDING IN NINE STATES, 1980-81

State	SOURCES (%)		
	Federal	State	Local and Other Funding
Maine	8.1	48.8	43.1
Pennsylvania	8.0	43.9	48.2
South Carolina	16.9	49.7	32.3
Tennessee	14.0	42.8	43.2
Michigan	5.3	30.2	64.4
Nebraska	6.8	17.9	70.7
Colorado	5.9	41.7	52.3
Texas	11.1	45.7	43.0
Washington	6.5	76.4	12.6
Note: Revenues from intermediate sources are not ranked. Therefore, percents for a given state may not add up to 100 percent.			
Source: National Center for Education Statistics in <u>School Finance News</u> , November 4, 1982, p.9.			

Dependence on federal funding for elementary and secondary education ranges from a high of 16.9% for South Carolina to a low of 5.3% for Michigan, among our case study states. The percent of state funds goes from a high of 76.4% in Washington to a low of 17.9% in Nebraska, with the remaining states except Michigan clustered between 41.7% (Colorado) and 48.8% (Maine). More than 50% of the funds for elementary and secondary

education come from local taxes in Nebraska (70.7%), Michigan (64.4%) and Colorado (52.3%).

The nine states, then, well represent many of the differences which are the distinguishing features of the various regions.

The patterns of school enrollments in the nine states between 1970 and 1980 provide another variable for understanding what has occurred in them with reference to Chapter 2. Table 3 shows these shifts for both public and private enrollments for the entire decade, as well as for the periods 1970-1976 and 1976-1980.

TABLE 3

ECIA CASE STUDY STATES: PUBLIC AND PRIVATE SCHOOL ENROLLMENT SHIFTS 1970 -1980

STATE	ENROLLMENTS (000)						% Shift 1970-76		% Shift 1976-1980		% Shift 1970-1980	
	Private			Public								
	1970	1976	1980	1970	1976	1980	Private	Public	Private	Public	Private	Public
Maine	20	19	18	245	249	222	-4.3	1.6	-5.0	-10.8	-9.1	-9.3
Pennsylvania	502	449	407	2,358	2,194	1,909	-10.6	-8.9	-9.3	-13.0	-18.9	-19.0
South Carolina	31	53	50	638	621	619	70.7	-2.7	-6.3	-0.3	60.0	-3.0
Tennessee	35	74	73	900	842	854	112.3	-6.4	-1.4	1.4	109.4	-5.1
Michigan	267	222	215	2,181	2,036	1,863	-16.7	-6.6	-3.3	-8.5	-19.4	-14.6
Nebraska	45	42	40	329	312	280	-5.6	-5.2	-5.8	-10.3	-11.1	-14.9
Colorado	36	38	35	550	570	546	6.1	3.6	-6.3	-4.2	-0.6	-0.7
Texas	123	146	152	2,840	2,823	2,900	18.4	0.6	4.3	2.7	23.6	2.1
Washington	46	55	56	818	781	758	19.5	-4.5	1.3	-2.9	23.0	-7.3

Source: Regina M. J. Kyle and Edwin J. Allen Jr. Public Funding of Private Education, Contexts and Review: Technical Appendix. Washington, D.C. 1983. Tables prepared from published and unpublished NCES data.

With the exception of Colorado, where the shifts were quite small for both public and private schools, the states show patterns reflecting broader social conditions in the states during that decade. The great increase in private enrollments came in South Carolina and Tennessee in the first half of the decade, often in response to desegregation. In both Maine and Pennsylvania, where private decline was matched either by public growth or smaller rate of decline in public schools from 1970 to 1976, the period from 1976 to 1980 was marked by a far steeper decline in public enrollments than in private ones. The pattern is similar for Nebraska and Michigan. In Texas, private school growth exceeded public school growth through the entire decade, while Washington saw a spurt of private school growth in the first part of the decade and a tapering but continuing increase in the second.

In all nine of our case study states, the Catholic schools lost ground in the period. Growth has occurred in schools affiliated with other religions, as well as in non-affiliated schools. This growth has often represented the development of new constituencies for private schools.

Finally, as a prelude to looking at what the case studies tell us, a brief glance at the gains and losses of the individual states under the block grant is in order. Table 4 illustrates this.

TABLE 4

ECIA CASE STUDY: STATES' GAINS AND LOSSES UNDER BLOCK GRANTS 1981-1982
AND ANTICIPATED FUNDING 1983 and 1984

	1981* Actual Obligations	1982 Actual Obligations	Percent Change 1981-1982	1983 Appropriation	1984 President's Budget
Maine	2,465,710	2,187,360	-11.3	2,229,304	2,229,331
Pennsylvania	20,340,163	20,966,546	+ 3.1	21,087,827	21,088,083
South Carolina	6,436,972	6,203,610	- 3.6	6,325,426	6,325,503
Tennessee	7,862,551	8,578,920	+ 9.1	8,732,038	8,732,144
Michigan	20,542,592	18,231,652	-11.2	18,220,177	18,220,398
Nebraska	3,728,418	2,861,216	-23.3	2,904,532	2,904,568
Colorado	5,470,881	5,222,993	- 4.5	5,394,131	5,394,197
Texas	27,272,790	27,672,974	+ 1.5	29,026,882	29,027,234
Washington	9,658,260	7,348,289	-23.9	7,579,446	7,579,538
*Data were obtained from reports of actual obligations by states for the 29 antecedent programs consolidated into the block grant.					
Source: Education Commission of the States, State Implementation of Chapter 2: The Distribution of Dollars. August, 1982 and U.S. Department of Education, OPBE, April 1983.					

Three states registered gains, ranging from 1.5% in Texas to 3.1% in Pennsylvania and 9.1% in Tennessee, over previous funding under the categorical programs. In percentage terms, Washington and Nebraska suffered the greatest losses, followed by Maine and Michigan, with both Colorado and South Carolina suffering losses under 5%.

The concept of "losers" or "winners" with regard to Chapter 2 is an exceedingly complex one, discussed in more detail in sections IV and V of this paper. Here it is useful to note that there had been substantial cuts in the antecedent programs between FY 1980 and FY 1981 and that many ESAA districts had already had to cope with losses of funds prior to the consolidation of ESAA money into the block grant.

III. PROCESSES: WORKING WITH CHAPTER 2 IN THE STATES

Any new legislation allocating federal funds requires a structure and a process for distributing those funds. While the basic capacity to deal with receiving and distributing federal funds was already in place in the states, the changes created by Chapter 2 required a new structure, the State Advisory Committee (SAC), as well as planning and adjustments in the state education agencies. This section of the report examines what we have learned about the shaping of the State Advisory Committees and the early planning processes in the state education agencies in the nine selected states.

III A. The State Advisory Committee

The ECIA legislation requires governors of the respective states to appoint a State Advisory Committee to develop a formula for the distribution of funds. The legislation provided that up to 20% of funds could go to the state education agency and that at least 80% must be passed through to the local school districts.

In general, the nine case study authors report that the setting up of the State Advisory Committee was a relatively smooth process. While the governor appointed the committee, the state education agency was often a major force in the nomination and selection process. Table 5 below

presents a summary of the perceptions of the case study researchers about the respective roles of the governor and the state education agency in this process.

TABLE 5

PRIMARY ACTOR(S) IN FORMATION OF STATE
ADVISORY COMMITTEE

STATE	GOVERNOR	SEA	SHARED
Maine		X	
Pennsylvania		X	
South Carolina	(X) →		X
Tennessee		X	
Michigan		(X) →	X
Nebraska	Delay	(X) →	X
Colorado		(X) →	X
Texas	X		
Washington	X		

While the governor of each state appointed the SAC, the primary actors in the formation of the committee varied. In three -- Maine, Pennsylvania, and Tennessee -- it appears from the case study reports that the state education agency was instrumental in providing the Governor with suggestions for nominees. In Michigan and Colorado, the SEA took the leading role, but with care to involve the Governor's office in shared responsibility for the selection. In South Carolina, prime movement seemed to be on the part of the Governor, with his sharing some responsibility with the SEA. Nebraska provides one small aberration in that the Governor

delayed for several months in appointing the Committee, even though urged to do so by the Commissioner of Education, who had earlier set up a working committee on ECIA. The reasons for the Governor's slowness to appoint a committee are not clear in the case study report.

In Texas and Washington the Governor's office quite clearly took the lead in the formation of the committee membership although the reasons differ in the two states. The Commissioner and the Texas Education Agency are not strong actors on the political scene in Texas. Katzman reports that the then Governor, William Clements, had carved out education as one area of concern for his administration and had at hand an existing committee to which others were added to form the State Advisory Committee. There is also in Texas a long history of political jockeying between the Governor and the various education entities -- the elected State Board of Education which appoints the Commissioner and the Board of Regents of the University of Texas, in particular. With the election of a new Governor, the present State Advisory Committee considers itself dissolved and a new one must be appointed.

In Washington, the only state with an elected chief state school officer, the State Superintendent of Public Instruction, the Governor's office seems quite clearly to have been the prime mover forming the State Advisory Committee. Elmore's case study provides some insights into the issues which may arise in relation to block grants for education in a state where educational leaders are elected.

According to Elmore, educational governance in Washington includes the following elements:

1. Shared power between an elected Governor and an elected Superintendent of Public Instruction;
2. History of local control of the schools;

3. A declining state tax base with an increasing amount (now 54%) going to education.

The tensions caused by this bifurcation of educational leadership at the state level in Washington were most obvious in the process of developing the formula and the uses of the state's 20% of the money — both points to be examined later in this report.

It seems only logical that individual state differences with regard to the establishment of the State Advisory Committee would appear to be stronger in a state with an elected school chief. While we cannot draw any generalizations from the situation in Washington or in the other case study states, it might be well to remember that seventeen, or fully one-third of the chief state school officers in the nation are elected.

In this early phase of implementation the case study researchers reported little special activity on the part of various interest groups. This lack of activity was usually attributed to the size of the block grants under Chapter 2 and to skepticism about whether Chapter 2 funds would continue beyond a few years at most.

III.B. The State Education Agency

How did the state education agencies respond initially to the shift from federal funding of categorical programs to block grants? The discussion here will focus primarily on activities in the early weeks of planning through the establishment of the State Advisory Committees. Their use of the set-aside money is treated later in the paper.

The response of the SEAs to the Chapter 2 block grants was generally consistent with their philosophy of their role and that of the federal government in education. All states were quite careful and thorough in their notification of local school districts about the program. Table 6

summarizes the major activities/attitudes demonstrated at the pre-planning and early development stages of the implementation of ECIA in the states, as reported in the case studies.

TABLE 6

STATE EDUCATION AGENCIES: INITIAL PLANNING ACTIVITIES FOR CHAPTER 2, ECIA

STATE	PLANNING AND DEVELOPMENT ACTIVITIES/ATTITUDES
Maine	Notification of districts. Skeptical about ECIA.
Pennsylvania	State-wide poll, public hearings, planning for evaluations. Strong commitment to philosophy of block grants.
South Carolina	Notification of districts and planning for evaluations.
Tennessee	Task Force with four subcommittees, public hearings, well developed plan for implementation by time State Advisory Committee appointed.
Michigan	Strong leadership by Superintendent: in-house Task Force prepared with data, information and alternatives by first meeting of State Advisory Committee.
Nebraska	Commissioner appointed preliminary advisory committee. State Advisory Committee appointed late by Governor.
Colorado	Strong leadership by agency in planning and development activities: federal and state contacts, communication and coordination - able to "hit the road running."
Texas	Early groundwork modification and workshop. Philosophy consistent with aims of ECIA.
Washington	Deliberate and careful planning for implementation on part of Office of State Superintendent of Instruction.

Only a few comments are needed here. Maine and South Carolina report little or no special planning activity at this stage. Nebraska's only cited special planning activity was the Commissioner's early appointment of an advisory committee which met twice to advise her. No mention is made of special activities related to ECIA other than that.

The remaining six states show careful and deliberate planning in the early stages. Pennsylvania, Michigan, and Colorado all appear to demonstrate the strong coordination and leadership at the level of the chief state school officer. Texas provided early information and workshops to assist local school districts in their applications. In both Tennessee and Washington, the advent of ECIA was used to reinforce priorities in reorganization within the state education agency aimed, in part, at developing greater capacity for technical assistance and less emphasis on regulation and monitoring. This last issue is discussed in more detail in a later section of this report.

IV. INITIAL IMPACTS: "WINNERS" AND "LOSERS" AT STATE AND LOCAL LEVELS

The concept of winners and losers in the consolidation of categorical programs into block grants in education is a complex one and should be approached with care. In this section of the report we look at the initial impact of Chapter 2 on the states and the districts from this perspective.

We noted earlier in this report that six of the nine states lost money compared to their 1981 funding from the antecedent programs. Their losses ranged from a low of 3.5% in South Carolina to a high of 23.8% in Washington. Three states -- Pennsylvania, Tennessee, and Texas -- had gains of 3.1%, 9.1%, and 1.5% respectively. At the state level, the losses

or gains most affected the state departments of education.

In terms of money, three of the case study researchers — Cohn of South Carolina, Eyler of Tennessee, and Katzman of Texas reported that the state education agencies in their respective States received slightly more funds under Chapter 2 than under the antecedent programs. In only one state was the state education agency considered a clear "loser," Colorado.

Rose, in his case study, reported "The Colorado Department of Education was a big loser in the ECIA program changeover" and attributes this impact on the CDE to the inclusion of Title V into the block grant. The CDE's dependency on the antecedent programs for the support of what is perceived by some as the "normal" functions of a good SEA has clearly hurt the Colorado agency.

In many of our other case study states, the decreased funding available to the state education agency under Chapter 2 may have a greater impact because of the total dynamic of state funding for education. For instance, cutbacks in staff at the state level had already been occurring over the last few years in Pennsylvania, Michigan, and Washington, and the impact of Chapter 2 on the SEA is related to this.

The interstate and state education agency gains and losses are over-shadowed, however, by the gains and losses across the districts within the states. It is on these that we will concentrate here.

The fact that gains and losses can be traced in the shift from categorical programs to block grants implies a more fundamental change in the federal approach to funding education at the elementary and secondary levels. The earlier programs may be described as "target" programs, intended to fill specific perceived needs not being adequately taken care of at state and local levels. Many of them were also "merit" programs —

including ESAA — requiring the filing of competitive applications. They implied a certain initial capacity to perform to accepted levels and were aimed at increasing capacity in specified areas. There was in this, then, at least an implied basis for evaluation.

The Chapter 2 block grants are redistributive in the sense that they have taken funds targeted previously for certain ends and redistributed them. While some of the state formulas reflect older priorities and attempt to compensate in some instances, there appears to be a tendency to distribute the funds designated for local pass-through in as simple a fashion as possible. Whether this wholesale distribution results in innovation and entrepreneurship at local levels or merely takes away from those who have been entrepreneurs in the past will be examined briefly here and in the next part of the report. Our findings at this point are tentative in nature.

Table 7 on the following page represents a summary of "winners" and "losers" among the districts in the nine states studied for this project.

It is quite clear from reviewing all nine case studies that in each of the states a major set of losers has been those districts who have had funding from the antecedent competitive grant programs in the past. These districts have been variously characterized by the case study researchers as entrepreneurs, creative, often with developed capacities at the local level which have been further enhanced by their grantsmanship at the federal level. Correspondingly, among the winners in all states are those districts with limited participation in previous federal competitive grant programs, either because they were without the human and financial resources needed to prepare proposals or because they were less aggressive in seeking funds. While having a set of winners and losers is common to

TABLE 7

ECIA CASE STUDY STATES: "WINNERS" AND "LOSERS"

STATE	"WINNERS"	"LOSERS"
MAINE	1. Districts without previous funding	1. Districts with previous categoricals - "entrepreneurs". ESAA not an issue.
PENNSYLVANIA	1. Districts with relatively little tax support. 2. Districts with scant record of participation in categorical grants. 3. Nonpublic schools.	1. Districts with entrepreneurship in grants and relatively strong tax effort. 2. Districts with large numbers of minority students.
SOUTH CAROLINA	1. Districts with no present categorical programs.	1. Biggest losers those with capacity to attract categorical funds. 2. ESAA districts.
TENNESSEE	1. Almost all of Tennessee outside of Memphis and Metro Nashville. 2. Districts below median in per pupil spending. 3. Large districts.	1. ESAA districts of Metro Nashville and Memphis. 2. Small districts. 3. Those active in seeking categorical grants - creative entrepreneurship.
MICHIGAN	1. Smaller town and rural districts who did not apply for categoricals. 2. Intermediate School Districts - less money but more flexibility. 3. Nonpublic schools.	1. 12 ESAA districts. 2. Successful Title IV-C applicants in previous years. 3. High spending, strong tax base suburban districts. 4. 22 ISD's serving as RMECS. 5. Public Schools in general.
NEBRASKA	1. About 75% of smallest districts and 60% of larger districts.	1. Omaha (only ESAA district in Nebraska). 2. Smaller districts with prior grants.
COLORADO	1. Most school districts winners. 2. Nonpublic schools - tripled amount available from categorical.	1. Districts enrolling fewer pupils with higher assessed valuation and recipients of antecedent program money.
TEXAS	1. Those not funded under prior programs.	1. Most ESAA districts, especially Dallas, Houston, Austin. 2. Those successful in grants under antecedent programs. 3. Private schools with special projects.
WASHINGTON	1. Most districts, except Seattle. 2. Private Schools - especially those in Seattle.	1. Seattle only visible loser: ESAA and Title IV-C.

Source: ECIA Case studies, 1983.

all the states, this is the initial impact that would inevitably occur given the kind of redistribution of funds under examination.

ESAA districts are included in the category discussed above, but they require separate attention, both here and in the review of district behavior. In a number of our sample states, large ESAA districts were among the biggest losers in terms of actual dollars. These include the twelve ESAA districts in Michigan, Denver in Colorado, Dallas-Houston-Austin in Texas, Seattle in Washington and others. In Michigan, Texas and Washington these losses were serious enough to have a major impact on the state formulas for distributing Chapter 2 funds. The Pennsylvania report suggests that while most of the larger cities were not strongly affected by the loss of ESAA funds, three ESAA cities did, in fact, experience problems from the loss of funds. Losses in ESAA districts were also felt in South Carolina and in Memphis and Metro Nashville in Tennessee. In Memphis the loss amounted only to about 5% of the previous year's funding and in South Carolina officials noted the continuing decline in ESAA funding in the state over several years. We shall return to the issue of ESAA districts in the next part of the report.

Pennsylvania and Michigan both reported that districts with relatively strong tax bases were among the losers. Kuriloff's analysis of Pennsylvania also suggests that districts with large numbers of minority students tended to be losers while those districts with fewer minority students tended to be winners. Michigan also saw the Intermediate School Districts (ISDs) as both losers and winners — they received less money but had more flexibility in spending it.

Four states -- Pennsylvania, Michigan, Colorado, and Washington -- mentioned the private schools as winners. Michigan and Pennsylvania are

among the states with traditionally large numbers of students in private schools. In all four states the private school provisions of the ECIA legislation resulted in increased amounts of Federal funds being available for benefits to children in these schools.

The next section focuses on the patterns of state and district allocation of funds and continues to probe the notion of "losses" and "gains" in more comprehensive fashion.

V. RESULTS: RESPONSE PATTERNS IN THE ALLOCATION OF THE SHARES OF MONEY AT STATE AND LOCAL LEVELS

The ECIA legislation provided for at least 80% of the funds to be passed through to the local school districts and up to 20% to be available to the state education agency for administration and other purposes. To understand what is happening with these funds, as well as to explore the impacts further, the case studies review three sets of activities and decisions:

1. the determination of the formula at the state level;
2. the allocation of the state's share of the money;
3. the allocations of the money at the local district level.

Each of these areas reveals both common patterns and individual differences among the states.

V.A. The Formula

In the nine states constituting this study, the 20/80 split between state and local funding was chosen by eight. Only in Pennsylvania did the

State Advisory Committee adjust the relationship so that more funds went directly to the local school district. Here the split was 17.3/82.7. This is not to say that there was unanimity in the eight states over the SEA's retention of 20% of the money.

In three of the eight states retaining the 20% for state use -- South Carolina, Tennessee, and Texas -- there appeared to be little question or dissent on the issue. In Texas, however, the issue may surface when the new Governor appoints another advisory committee. Maine agreed to 20% for its SEA for one year, on the condition of reexamination next year. In Michigan, where the need to retain the entire 20% was reinforced by cutbacks in other funding, a potential problem was defused by careful planning on the part of the Superintendent. In Nebraska a possible future problem surfaced after the fact, when a member of the State Advisory Committee noted that the full 20% might not have been approved had not a discretionary grants program been included in the state's use of the funds. This question arose in the context of a legislative cutback of \$161,000 in funds for the State Department of Education -- an amount equal to the discretionary grants program portion of ECIA money.

Two of the states reported substantive disagreements and discussions about the state's retention of the full 20% -- Colorado and Washington. In Colorado the State Advisory Committee approved the full 20% initially for the first year only, although it has subsequently approved it for the second year as well. The report indicates a continuing frustration on the part of the Committee with the amount being retained by the state education agency. In Washington there was a continuing questioning of the staff of the Superintendent of Public Instruction by the State Advisory Committee about the state's use of the set-aside funds. A number of members of the

State Advisory Committee were interested in having some of the 20% removed from the state allocation and used to augment the distribution formula. Although they did not succeed in accomplishing this, the state's 20% was a continuing cause of tension between the Committee and the Superintendent's staff.

Six of the states adopted relatively simple two-or-three-component formulas, while three developed far more complex ones, reflecting an attempt to compensate for some of the losses under the antecedent programs. Table 8 illustrates the breakdowns by formula component in each of the states.

TABLE 8

ECIA CASE STUDY STATES: PERCENTAGES OF STATE PASS-THROUGHS
TO LEAs BY FORMULA COMPONENTS

STATE	% TO LEAs BY FORMULA COMPONENTS
Maine	60% Enrollment, 40% Low Income (Title I)
Pennsylvania	60% Enrollment, 35% Low Income (AFDC), 5% Sparsity
South Carolina	70% Enrollment, 30% Low Income (Title I)
Tennessee	66% Enrollment, 34% Low Income (Title I)
Michigan	58% Enrollment, 6% Sparsity, 18% Low Achievement, 18% Desegregation
Nebraska	75% Enrollment, 5% Low Income, 20% Handicapped
Colorado	83% Enrollment, 16% Low-Income (Title I), 1% Sparsity
Texas	72.5% Enrollment, 14.5% Low Income (Title I), 7.8% Special Education, 5% LEP Students, .2% State Institutions.
Washington	50% Enrollment, 15% Low Income, 5% LEP Students, 10% Minority, 10% Racial Isola- tion, 10% Gifted.
Sources: Individual case study reports: 1983, Supplement by ECS, State Implementation of Chapter 2: <u>The Distribution of Dollars</u> , August 1982.	

Three states — Maine, South Carolina, and Tennessee — adopted a two-component formula which used the basic requirement of enrollment and added low income as determiners of the amounts to be distributed to districts.

In Maine the formula was adopted for one year only. Some on the State Advisory Committee wanted additional funds to go to students in the "mainstream" since they felt that special needs students were being taken care of in other ways. Both South Carolina and Tennessee appeared to want a simple formula, easily understood, that would present the least difficulty in implementation. Several options were considered by South Carolina before the present formula was adopted. In Tennessee some frustration was expressed by the two large ESAA districts, Memphis and Metro Nashville, about the lack of a "hold-harmless" or other provision to meet their needs.

A second group of three states -- Pennsylvania, Nebraska and Colorado — adopted a three-component formula. Pennsylvania and Colorado both opted for sparsity as the third element, with the first two being enrollment (as required) and high cost students. In Pennsylvania a state-wide poll of the education community was taken to ascertain how they would want ECIA funds apportioned under the three components: enrollment, high cost students, and sparsity.

Kuriloff in Pennsylvania reports that the state education agency developed the survey while the ECIA was still in the legislative process and in a version that mandated those particular adjustments. This had the effect of making a major decision about the formula from the beginning. Colorado's formula simply follows current state practice in allocating

funds for low income and sparsity. Nebraska's third component was handicapped students -- the only state in our sample to use this one. There is no indication in the current report that other formulas or variations in allocation were considered, nor does there seem to have been any disagreement among the State Advisory Committee members on this issue in Nebraska.

The final group of three states in our sample -- Michigan, Texas, and Washington -- produced the most complicated and comprehensive formulas. The differences, as well as the similarities, among the three are interesting.

Kearney reports in Michigan a clear attempt to mitigate the problems faced by Detroit and other large cities that had been receiving ESAA, as well as other categorical funds. The issue of the formula was one that the Superintendent's in-house Task Force devoted itself to from the beginning. Early and thorough preparation by the Task Force resulted in the working out of what could have been a touchy and difficult problem.

Texas did not set out to replicate the geographic distribution of funds under previous programs, but the end results were similar to those in Michigan in that both Dallas and Houston, big losers from antecedent programs, came out about as well as they could have under the changes. Here careful consensus developed around a recognition of the groups of special needs students. It might be noted here that the superintendents from Dallas and Houston served on the State Advisory Committee.

In Washington the staff of the Superintendent of Public Instruction initially proposed a simple 75/25 formula that would take into consideration enrollment and achievement factors. It did not take into consideration the problems of Seattle, the only large loser in Washington.

Over several months Seattle mobilized its forces, and the Advisory Committee and superintendent's staff worked out a number of alternatives from which the final complex formula was developed. We discuss this in more detail in the section on ESAA districts. In this process, as in the issue of the state's 20%, Elmore reports that the tensions between the Committee and the agency staff were evident, but not in the end detrimental to cooperative activity.

V.B. State Share of Funds

A number of theses lay behind the establishment of federal block grants in education in place of categorical programs. Among these was the belief that those at the state and especially at local levels had a better understanding of the needs of education in their areas than did those operating out of Washington. There was also an assumption that increased flexibility in the spending of money, less paperwork, and fewer regulations in general would free up the creative and innovative instincts of state and local officials, resulting ultimately in the development of more effective programs. Consolidation should lead to improvement.

Since these case studies represent a review of only the first year of implementation of ECIA and since the money involved is, for the most part, comparatively small to result in major new initiatives, we can expect to find only suggestions of what the ultimate results of block grants in education might be at both state and local levels. While our information from the several states is incomplete at this time, some points suggest themselves.

Table 9 is a summary of the major allocations of the state portion

of ECIA Chapter 2 money as reported in the draft case studies.

TABLE 9

ECIA CASE STUDY STATES: USES OF STATE SHARE OF CHAPTER 2 FUNDS

STATE	% OF FUNDS	USES OF STATE SHARE
Maine	20	Administration, Basic Skills, Educational Improvement and Support, Special Projects.
Pennsylvania	17.3	Administration, District Educational Improvement, Competitive Technology Grants.
South Carolina	20	Administration, Strengthening the State Education Agency
Tennessee	20	Administration and Support of State Activities, Membership in Software Network, Competitive Grants.
Michigan	20	Administration of ECIA, Discretionary Grants, Personnel under Antecedent Categoricals.
Nebraska	20	Administration, Discretionary Grants, Basic Skills.
Colorado	20	Administration, Technical Assistance, State Board Priorities, Dissemination.
Texas	20	Administration, Basic Skills, Teacher Training, ESAA Districts.
Washington	20	Administration, Priorities in Office of Superintendent of Public Instruction.
Sources: ECIA Chapter 2 Individual Case Study Reports, 1983		

Given the current economic conditions and the levels of funding for education in many of the states, as well as the uncertainty about how long and at what level federal education block grants will last, one would

anticipate a fairly conservative use of funds by the state agencies, with strong tendencies toward risk avoidance. This is what we find in most instances, with the state portion of the funds being used to support current staff in a time of transition. There are, however, some developments that should be examined more closely.

One of the more interesting of these occurs both in Tennessee and Washington, where high percentages of the funds are going to support reorganizations of the state education agencies already in process at the time block grants were established. In both cases the researchers report that the reorganization seeks to move the agency away from an emphasis on monitoring and regulation to greater capacity for supplying technical assistance to the local school districts.

Maine designated a portion of its share to be used for competitive grants, primarily in the areas of the antecedent programs.

South Carolina's many categories under the heading Strengthening the State Education Agency seem to be primarily the maintenance of the status quo, although there is some attention to increased technical assistance to local school districts. South Carolina received slightly more under Chapter 2 than it had under the antecedent programs.

Michigan, Nebraska, and Colorado all appear to be using the state portion in order to maintain current capacity in the SEA. This is to be expected in both Michigan and Colorado since both states had undergone severe cutbacks in SEA positions in the recent past.

Pennsylvania allocated its share of funds for administration, for district educational improvement and for competitive technology grants. These last two categories are good examples of the use of the funds for high priority but previously unfunded programs.

The Texas Education Agency wound up far better off than it had been under the antecedent programs. Despite some controversy and under pressure, they settled on giving 1/3 of the state's portion to the ESAA districts to offset the impact of the loss of ESAA funds. Texas and Tennessee, along with Pennsylvania's use noted above, provide us with some examples of the use of marginal funds to support priorities already established but previously unfunded. Part of the state allocation in Texas has gone to fund a teacher training allowance to school districts that was legislated by the Texas legislature but never funded. Tennessee's use of a portion of its state funds for a computer software network is another example of small amounts being used to support priorities not currently funded. As we turn to the local school districts, we find more examples of this.

V.C. Local District Allocations

One of the key areas to examine in any long-term analysis of the impact of ECIA's Chapter 2 is the utilization of funds at the local district level. Will there be significant shifts away from previously funded activities to new ones? If this occurs, what happens to the antecedent programs? Are they absorbed into locally funded activities (institutionalized), do they disappear, or do they appear in new guises — preserving the intent of the former programs but carrying out this intent in different ways? Where new activities develop, can these be described as creative and innovative or are they safe, short-term uses of funds that districts are afraid will continue to decline or disappear altogether?

It is still too early to answer these questions with certainty. We

can, however, begin to notice the emergence of certain patterns — patterns which may or may not continue during the second year of Chapter 2.

A recent survey of local school districts by the American Association of School Administrators (AASA) for the General Accounting Office sheds some light on trends in local spending by region and in selected states. In that survey many districts indicated that they were spending Chapter 2 funds for various types of materials and equipment, staff training, and salaries. The findings of this survey are similar to those reported by our case study researchers. While on the surface this may appear to be a massive trend to avoiding risk with IV-B type purchases, our case studies indicate a far more complex reading of these patterns. Although the current data available through the case studies do not lend themselves to a nine-state comparison such as we have used in earlier sections of the report, we can examine two key issues across several states: computers and desegregation.

V. C. 1. Chapter 2 and the Microcomputer Age

In AASA's national sample 49.8% of the districts reporting said they were making major expenditures on computer hardware, 33.7% on computer software. From our knowledge of individual states there are also indications that in some a fairly high percentage of the staff training funds are being used in conjunction with computer literacy activities.

Does this emphasis on such use of money indicate risk-avoidance on the part of districts or an exercise in creativity and local control? While there are probably elements of risk-avoidance involved in some districts' decisions to use a significant portion of their funds for

computers, several of our case studies show that locals have used this opportunity to develop and advance their computer literacy capacities as part of what they consider a major and important thrust for their schools for the future.

Among the nine states in our case studies, very strong evidence for viewing the heavy emphasis on computer-related expenditures as creative and relating to the longer-term plans for education comes from Pennsylvania, Tennessee, and Michigan.

At the present time local district data are incomplete on expenditures in Pennsylvania. The study, however, mentions the high rate of expenditures for computers and links it to the state initiative by the Governor in high technology and the action of the Secretary of Education in providing a state set-aside of a portion of Chapter 2 funds for grants in technology. For some local districts, Kuriloff reports that Chapter 2 has provided the marginal funds necessary to assist them in improving their computer-related capacities at a time when regular funds were not sufficient to proceed at the optimal rate. He also reports that of the new projects begun in the districts sampled, most involved some aspect of computer literacy. He notes that the Pennsylvania Department of Education estimated that 30% of the funds would go into each of the two areas of computer hardware and software purchases, but feels this estimate to be conservative. This appears to be reinforced by AASA's report for Pennsylvania. Of the districts in their sample, 69.6% reported making expenditures on hardware and 47.8% on software.

When we turn to Tennessee, we also find a state priority reflected in local district behavior. As Eyler notes, microcomputer literacy is one of the goals of the Governor's "Better Schools Program" and is a major

objective of the State Department of Education. Like Pennsylvania, Tennessee also set aside some of its state Chapter 2 funds for this purpose, buying membership in a computer software network for the local districts with Apple computers. Of the 89 districts Eyler examined, 35 appeared to be buying microcomputer hardware and software. A major portion of the funding in Memphis was allocated to microcomputer management systems for the "Basic Skills First" program.

Michigan is the third of our states where Chapter 2 appears to have had an important role in assisting the microcomputer revolution. Kearney reports that many districts who were perceived to be winners in the allocation of Chapter 2 funds have used them to increase the amount of hardware and software in their programs, to purchase training in how to use them, or to provide district-wide coordination for more effective use.

Both Maine and Texas also report emphasis on computer-related purchases. Millett estimates that about 34% of the funds in Maine are being used for hardware and software additions. In Texas, Katzman estimates a fairly high percentage of funds being spent on computer-related projects.

It may very well be that computer-related use of Chapter 2 money gives local districts the best of all possible worlds: a low-risk IV-B type purchase combined with a high priority, innovative program.

V. C. 2. Chapter 2 and ESAA

One of the antecedent programs consolidated into the Chapter 2 block grant was ESAA aid for districts undergoing school desegregation. This was, and is, a source of controversy and requires, therefore, careful

examination in the nine states we are studying. For two of these states, Maine and Nebraska, ESAA funding was not a major issue. Our discussion here focuses on the remaining seven. Because of the differing context in each of the states few generalizations can be made.

The variations in response to the Chapter 2 consolidation of ESAA funds can be seen by looking first at Michigan, where the twelve ESAA districts were "losers" in total dollars. Losses were exacerbated here by tight economic conditions. Kearney reports that Detroit and Flint felt the losses keenly and believed they had no choice but to use their full ECIA awards for ESAA activities. For them, Chapter 2 provided no flexibility or leverage. Detroit and Flint are both very large urban districts. Benton Harbor, a smaller urban district that was also an ESAA loser, reacted quite differently. Benton Harbor officials reported that Chapter 2 led to careful and locally-controlled planning for locally determined needs. Almost 50% of their Chapter 2 allocation went for basic skills teachers to tutor pupils in K-2 who failed to meet minimum competency requirements, something they felt they couldn't have done except for Chapter 2 funds. While not supporting the same activities as under ESAA funding, they are using the money to the same ends, achieving here at least one of the intents of the legislation.

In Washington, Seattle was the only big loser in the consolidation of antecedent programs into ECIA. We described briefly earlier Seattle's role in the development of formula to include desegregation components. Seattle elected to spend all of its Chapter 2 allotment for ESAA purposes. It does not appear, however, from Elmore's report that the city chose to continue earlier ESAA activities. It has moved instead to a building-based support of desegregation through school improvement. Principals at the

building-level develop plans for the use of their money, giving them more flexibility. Elmore notes that this has reduced the numbers of central office personnel involved.

In discussing the impact of Chapter 2 on ESAA districts in Pennsylvania, Kuriloff notes that in many of them the effect was less serious than it might have been because desegregation efforts had been going on for many years and had been completed in four of the original ten districts under court order. Three others had accomplished most of their goals by 1982. The impact of ESAA cutbacks on Philadelphia, potentially quite serious, was mitigated by the revenue made available because of the prolonged teachers' strike. Another large district in the state reported it was "right in the middle of its plan and suffered a huge loss under ECIA." (p.44) This district did attempt to cover as much of the program as it could from its own budget, but still was forced to make severe cuts in personnel and its computer program.

Katzman reports three major losers among the ESAA districts in Texas: Dallas, Houston, and Austin. We summarized earlier the role of the Dallas and Houston superintendents in having a desegregation component included in the state formula. The state share of funds also included a set-aside for desegregation purposes that was allotted to the districts which had received ESAA funds in prior years. Dallas, like Detroit and Flint in Michigan, does not see Chapter 2 as a positive development providing opportunity for flexibility at the local level, since its 43.1% loss of previous money was so high. One new program, curriculum development in the magnet schools, has resulted from the use of the funds from the state set-aside for desegregation. San Antonio, among Texas cities receiving ESAA funds, actually increased its funding under Chapter 2 by 8.6%.

Perhaps the most interesting development related to ESAA and Chapter 2 has occurred in Tennessee. Both Memphis and Metro Nashville were recipients of large amounts of ESAA money. Metro Nashville suffered a 30% decrease in overall funding under Chapter 2 and Memphis remained approximately the same. Both cities chose to discontinue prior ESAA activities. In the comprehensive needs assessment done in Metro Nashville, no support was found for programs perceived as desegregation-related. In the context of Metro Nashville's decision to spend 50% of its Chapter 2 funds for students needing remedial assistance in reading in the eighth grade, Eyler makes an interesting comment about the effectiveness of the local approach to problems under Chapter 2 as opposed to the regulations and specifications under the former ESAA program. "It would be short-sighted ... to assume that the use of these funds is less valuable in a desegregated system under the new expenditure patterns" (p. 65) when, as she notes, many minority students are resegregated by achievement after the eighth grade.

Memphis gives us, in Eyler's terms, a true test case to contrast local understanding of needs against prior regulations in its approach to the allocation of its Chapter 2 funds. In the transition from antecedent programs to Chapter 2, Memphis just about maintained its total prior funding. Theoretically and practically, it could have chosen to continue its prior activities with minimal adjustment. In actuality, the decision was made not to continue prior activities and to redirect the funds to programs the district felt would be more effective in achieving its goals. Memphis's priorities in order were: basic skills and computer technology, with some continued support for a project related to the interracial

climate in the schools. It might be well to note at this point that Memphis has a black superintendent who has worked very closely with the community in his leadership of the district.

Cohn, in discussing the impact on ESAA districts in South Carolina, suggests that these districts were the largest losers under Chapter 2. He also notes, however, that the amount of ESAA funds going to these districts had been declining and that some former ESAA districts, such as Williamsburg County and Charleston, were no longer receiving ESAA funds.

Rose reports that Denver, the largest loser in Colorado, has as its priority the continuation of its ESAA programs.

These few examples suggest that the impact of Chapter 2 on ESAA districts resists facile generalization. Understanding its true dimensions will require careful further probing.

VI. QUESTIONS: AREAS NEEDING FURTHER PROBING

As we have reviewed and analyzed the draft reports of the nine case studies, it has become evident that a number of areas require closer examination. These fall into the following groupings.

VI.A. Requirements and Procedures

In all of the states being studied, officials at both state and local levels have expressed concern about the lack of more specific regulation and a fear that a future audit will result in problems for the districts. Those with previous experience in receiving federal funds are more skeptical than those who have not had them before. While they generally applaud the reduced and simplified paperwork, they simply find it

difficult to accept that this was really intended and will continue. Several reports suggest these questions about federal requirements may have contributed to the tendency to make IV-B type purchases in equipment and materials, as well as to suggest these same categories as the most appropriate areas for services to students in private schools.

Some attention should be paid to whether or not these fears are alleviated and if they are not, what continuing impact they may have on state and district programming under Chapter 2.

VI.B. Implementation and Effects at the State Level

The nine case studies of the first year tracked in detail the implementation process at the state level during the stage involving planning and first round of applications. Several questions arise out of that work. What are the potential longer-term impacts of Chapter 2 on the organization of the state education agency? Have the block grants been a factor in creative planning at the state as well as the local levels? Have they supported priorities and initiatives already identified by the agencies?

Given the questions and controversies that surrounded the allocation of the 20% set-aside to the state education agencies in Maine, Nebraska, Colorado, and Washington and the possibility that a new State Advisory Committee may challenge it in Texas, continued attention to this is in order.

VI.C. Private Schools and Chapter 2

One of the specific intents of the ECIA legislation was that services under Chapter 2 would be available to students who attend private schools. Our nine case studies indicate that local school districts were quite exact and thorough in their procedures for notifying private schools and working with them in the application process. Many had procedures for this in place under the antecedent programs.

Egbert in his study of Nebraska discussed the constitutional problems that resulted in the use of the "by-pass" for providing services to private school students. Rose, in examining the private-public relationship in Colorado, raised questions about future problems in providing private school students with services under the "empowering" process in Colorado for the reallocation of federal funds. In Michigan, a challenge has been filed as to the state constitutionality of disbursing Chapter 2 funded services to private schools.

At least some districts in all of the states raised the issue of the unreimbursed costs involved in private school notification and consultation in planning. Suggestions were made that money for this be made available from the state's portion of Chapter 2 funds and even that the state should assume responsibility for the notification of private schools.

Most of our case studies -- and in particular Colorado, Michigan, Pennsylvania, and Washington -- refer to the students in private schools as "winners" under Chapter 2, since the formula allocation provides in almost every instance that more services will be available to private school students under Chapter 2 than had been under the antecedent programs. Clearly these issues as well as questions about the extent and kind of services being provided to private school students require further study.

VI. D. Antecedent Programs

While each of the nine case studies has touched upon the fate of the antecedent programs other than ESSA, no systematic attention was paid to these in the first year's work. There have been general reports that except for Title IV.B. activities, many of the antecedent categorical programs have not been funded. Have these been institutionalized and their support picked up in other ways or were they deemed insufficiently important to the longer-term goals of the district to be continued?

VI.E. ESAA Districts

Given the restrictions of time and resources, the nine case studies provide a fairly detailed examination of the initial impacts of ECIA on ESAA districts in the respective states. ESAA funding was an expression of a national priority in education not being adequately attended to at the state and local levels. A finer and more detailed analysis of the use of Chapter 2 funds for ESAA purposes, as well as a continued exploration of the over-all impact of Chapter 2 on ESAA districts, should be a high priority in future Chapter 2 evaluations.

VI.F. Innovations and Creativity under Chapter 2

An on-going examination of the use of Chapter 2 funds in local school districts in the nine states can help determine whether the increased local control and decreased paperwork result in programs that may be called "creative" or "innovative" and that have the potential to result

in improvement in education. Such an analysis must keep in perspective the relatively small amounts of money available to the districts through Chapter 2. Given that caveat, some questions suggested by case study findings include:

1. Has Chapter 2 really rewarded the less aggressive while punishing the entrepreneurial? A close look is needed at districts with little or no prior funding under the antecedent programs.
2. Paying special attention to the concept that marginal funds may provide an important lift to a district, making the funding of desired but unfunded activities possible in a tight economic period, are there indications that Chapter 2 funding is being used to provide this needed flexibility at the local level?
3. Is the lack of federal regulations always a positive factor in supporting the development of active programs? A few local officials suggested this year that they use federal regulations to do things otherwise not possible in their districts.
4. Has the decreased regulation and paperwork resulted in a significant shift of funds into programs new to the districts in question?

VII. SUMMARIES: EMERGING PATTERNS AND FEDERAL POLICY

Each of the case study authors has stressed the tentativeness of his or her conclusions. Across the case studies, however, certain common patterns are beginning to emerge.

1. In general, the process of implementation seems to have gone smoothly. This may be due in part to the small amounts of money at stake and the sense expressed by many that these funds might be even smaller in later years. The experience and capacity gained from working with other federal programs over the years may also have played a role in this.
2. The large number of winning districts seem to be small town and rural districts and those which in prior years

have not had funding under the competitive antecedent programs. The distributive nature of Chapter 2 makes that inevitable.

3. Districts which lost funds under Chapter 2 tended to be those with either large amounts of ESAA money or those with the capacity and entrepreneurial spirit who sought out additional funds, whatever their source. (Some districts fall into both categories).
4. There is some evidence (Washington and Tennessee) that Chapter 2 has supported already planned creative restructuring and refocusing of capabilities in the state education agency. In the other states, the current information seems to indicate a support of the status quo, although needed changes may already have occurred.
5. There is also some evidence of use of Chapter 2 funds to support long-term goals of the local school districts which might otherwise have gone unfunded at the present time.
6. There are indications in Tennessee and in specific examples in Michigan that Chapter 2 funds in ESAA districts may be providing more flexibility to direct change in those districts in ways perceived by the districts to be potentially more effective in promoting desegregation than the prior ESAA activities were.
7. There is some evidence to indicate that private school participation in Chapter 2 is high, although evidence about private schools is still incomplete.

After we have had the opportunity to track the states through a second year of Chapter 2 activity, we expect to describe both common trends and particular problems in more detail.

National concerns and tensions are reflected in the states' responses to the program, and these, as one would expect, differ from state to state according to the particular program or issue at stake. Will Michigan, Texas, and Washington continue to try to mitigate the negative impact of Chapter 2 on ESAA districts through the formula or special state set-asides? Will the significant shift of funds for services from the public to the private sector go unchallenged by legislative and judicial processes? Are the effects -- present and potential -- of ECIA on

intergovernmental relations really well understood, especially as these relate to state and local relations and to relations within state governments between the executive and legislative powers or between the executive and elected state school officials. Tensions and problems in these areas have been noted earlier in the cases of Washington and Colorado.

While there were a number of indications in the different case studies that Chapter 2 might be contributing to some innovative programming at the local level, there seems also to be evidence, at least in this first phase, that the opposite may be true. Kearney reports "there was little evidence to suggest that these dollars were being used in any creative or innovative way." (p. 168) Rose declares about Colorado that "It is too early to tell whether the ECIA program stimulated innovative program developments at the local level." (p. 62) This sentiment was shared by all of the case study researchers.

The case studies also provide some insights into the local planning process. Cohn reports of South Carolina that local choices about spending Chapter 2 money were made through processes that ranged from the decisions of a single official to the involvement of the broader community, including parent-teacher groups. Kuriloff provides documentation on the involvement of the community in educational planning for Chapter 2 at the local level in Pennsylvania, noting also that the mechanisms for such involvement were already in place prior to ECIA.

These are some major topics to be continued through further study. Other patterns may emerge as the program continues to develop.

VIII. APPENDIX

ANTECEDENT PROGRAMS CONSOLIDATED INTO CHAPTER 2, ECIA BLOCK GRANT

1. Instructional Materials and School Library Resources
(Elementary and Secondary Education Act (ESEA)
Title IV Part B)
2. Improvement in Local Education Practices
(ESEA Title IV Part C)
3. Guidance, Counseling, and Testing
(ESEA Title IV Part D)
4. Strengthening State Educational Agency Management
(ESEA Title V Part B)
5. Emergency School Aid Act
(ESEA Title IV Sections 601-617)
6. Pre-College Teacher Development Center
(National Science Foundation Act of 1950)
7. Teacher Corps
(Higher Education Act of 1965 (HFA) Title V Part A)
8. Teacher Centers
(HEA Title V Part B Section 532)
9. Metric Education
(ESEA Title III Part B)
10. Arts in Education
(ESEA Title III Part C)
11. Preschool Partnership Programs
(ESEA Title III Part D)
12. Consumer Education
(ESEA Title III Part E)
13. Youth Employment
(ESEA Title III Part F)
14. Law-Related Education
(ESEA Title III Part G)
15. Environmental Education
(ESEA Title III Part H)
16. Health Education
(ESEA Title III Part I)

17. Correction Education
(ESEA Title III Part J)
18. Dissemination of Information
(ESEA Title III Part K)
19. Biomedical Sciences
(ESEA Title III Part L)
20. Population Education
(ESEA Title III Part M)
21. International Understanding
(ESEA Title III Part N)
22. Community Schools
(ESEA Title VIII)
23. Gifted and Talented
(ESEA Title IX Part A)
24. Educational Proficiency Standards
(ESEA Title IX Part B)
25. Safe Schools
(ESEA Title IX Part D)
26. Ethnic Heritage Studies
(ESEA Title IX Part E)
27. Career Education
(Career Incentive Act)
28. Desegregation Training and Advisory Services
(Civil Rights Act of 1964 Title IV Section 405)
29. Follow-Through Act
(on a phased basis)

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